

ATHLETIC DEPARTMENT
NICHOLLS STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA



AGREED-UPON PROCEDURES REPORT
ISSUED FEBRUARY 6, 2019

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 14, 2019

Independent Accountant's Report on the
Application of Agreed-Upon Procedures

**DR. JOHN CLUNE, JR., PRESIDENT
NICHOLLS STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**
Thibodaux, Louisiana

We have performed the procedures enumerated below, which were agreed to by you as president of Nicholls State University (University), solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses (Statement) of the University's Athletic Department is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.15 for the year ended June 30, 2018. University management is responsible for the accuracy of the Statement (unaudited) and related notes (unaudited) and compliance with NCAA requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of management of the University. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The University set materiality at \$250 and the agreed-upon procedures described below were not applied to any transactions that fell under this amount. In addition, procedures were not performed on specific reporting categories that were less than 4% of the total revenues or expenses.

The procedures that we performed and our findings are as follows:

MINIMUM COMPLIANCE AGREED-UPON PROCEDURES

INTERNAL CONTROL

1. We obtained, through discussions with management, the identity of those aspects of internal control that management considers unique to intercollegiate athletics.
2. We performed procedures to test specific elements of the control environment and accounting systems that are unique to intercollegiate athletics to determine

adherence to established policies and procedures relating to revenues and expenses. The following procedures were performed:

- (a) We randomly selected one cash receipt batch sheet of ticket sales and followed it through the University's cash control system to determine adherence to established policies and procedures.
- (b) We selected the 10 largest athletic department cash disbursement transactions and followed them through the University's accounting system to determine adherence to established policies and procedures.
- (c) We inquired of and observed the athletic department personnel to determine their compliance with policies and procedures related to the control and safeguarding of unsold tickets.

We found no exceptions as a result of these procedures.

3. We obtained the University's procedures for gathering information on the nature and extent of affiliated and outside organizational activity for or on behalf of the University's intercollegiate athletics program and performed procedures to determine the University's adherence to these procedures.

We found no exceptions as a result of these procedures.

STATEMENT OF REVENUES AND EXPENSES

GENERAL PROCEDURES

1. We obtained written representations from management as to the fair presentation of the Statement, completeness of required schedules and related financial information, adequacy of controls, compliance with NCAA rules and legislation, completeness of the list of all known affiliated and outside organizations, and other information as we considered necessary for the year ended June 30, 2018.
2. We verified the mathematical accuracy of the amounts on the Statement and compared and agreed the amounts to supporting schedules provided by the University and/or the University's general ledger.

We found no exceptions as a result of these procedures.

3. We compared and agreed a sample of five operating revenue receipts and a sample of five expense disbursements obtained from supporting schedules to adequate supporting documentation.

We found no exceptions as a result of these procedures.

4. We compared each major revenue and expense account over 10% of total revenue or expense for June 30, 2018, to June 30, 2017, amounts and budget estimates to identify variations greater than 10%.

We reported the analysis in Appendix A to this report.

MINIMUM AGREED-UPON PROCEDURES FOR REVENUES

1. We obtained documentation of the University's methodology for allocating student fees to the intercollegiate athletics program. We compared and agreed student fees reported in the Statement to student enrollment and obtained explanations from the University regarding any variances in excess of 5% percent. We recalculated the totals. In addition, since the athletic department reported that an allocation of student fees should be countable as generated revenue, we recalculated the totals of its methodology for supporting that the athletic department is able to count each sport. We tied the calculation to supporting documents.

We found no exceptions as a result of these procedures.

2. We inquired about direct state or other governmental support recorded by the University during the reporting period with state appropriations, institutional authorizations, and other corroborative supporting documentation and were informed by management that the University had no direct state or other governmental support as defined by NCAA guidelines.
3. We compared direct institutional support recorded by the University during the reporting period with institutional supporting budget transfers documentation and other corroborative supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

4. We inquired about settlement reports for away games during the reporting period; however, there were none.
5. We selected one contractual agreement pertaining to revenues derived from guaranteed contests during the reporting period and compared and agreed the selection to the University's general ledger and the Statement. We recalculated the totals.

We found no exceptions as a result of these procedures.

6. We obtained and reviewed supporting documentation evidencing each contribution of monies, goods, or services received directly by an intercollegiate athletics program from any affiliated or outside organization, agency, or group of individuals (two or more) not included above (e.g., contributions by corporate sponsors) that constitutes 10% or more in the aggregate for the reporting year of

all contributions received for intercollegiate athletics during the reporting period. We recalculated the totals.

We noted the Nicholls State University Foundation, Inc., is the only outside organization that provided individual contributions of monies, goods, or services to the athletic department that exceeded 10% of the total contributions.

7. We obtained the summary of revenues from affiliated and outside organizations as of the end of the reporting period from the University and selected a sample of five funds from the summary and compared and agreed each selection to supporting documentation, the University's general ledger, and the summary. We recalculated the totals.

We found no exceptions as a result of these procedures.

8. We compared all NCAA distribution amounts recorded in the revenue and expense reporting during the reporting period to the general ledger for NCAA distributions and other corroborative supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

9. We obtained and inspected agreements related to the University's participation in revenues from royalties, licensing, advertisements, and sponsorships during the reporting period to gain an understanding of the relevant terms and conditions. We compared and agreed the related revenues to the general ledger and Statement. We recalculated the totals.

We found no exceptions as a result of these procedures.

10. We randomly selected one operating revenue receipt from each revenue category not previously sampled elsewhere in our procedures. We agreed the selected revenue transactions to adequate supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

MINIMUM AGREED-UPON PROCEDURES FOR EXPENSES

1. We selected a sample of 10% of student athletes from a listing of University student aid recipients. The following procedures were performed:
 - (a) We obtained individual student account detail for each selection and compared total aid in the University's student system to the student's detail in the University report that ties directly to the NCAA Membership Financial Reporting system.

- (b) We performed a check of each student selected to ensure his/her information was reported accurately in the NCAA Membership Financial Reporting System using the criteria found in the 2018 NCAA Agreed-Upon Procedures.
- (c) We recalculated the totals for each sport and overall for all sports.

We found no exceptions as a result of these procedures.

2. We obtained and inspected a list of coaches and support staff/administrative personnel paid by the University and related entities during the reporting period. We selected the head coaches' contracts for football and men's and women's basketball and a sample of three staff/administrative personnel from the listing. The following procedures were performed:

- (a) We compared and agreed the financial terms and conditions of each selection to the related salaries, benefits, and bonuses recorded by the University and related entities in the Statement during the reporting period.
- (b) We obtained and inspected payroll summary registers for the reporting year for each selection.
- (c) We compared and agreed payroll summary registers for each selection to the related salaries, benefits, and bonuses paid by the University and related entities' expense recorded by the University in the Statement during the reporting period.
- (d) We compared and agreed the totals recorded to employment contracts executed for the sample selected.
- (e) We recalculated the totals.

We found no exceptions as a result of these procedures.

3. We obtained and documented an understanding of the University's team travel policies, and compared and agreed the University's team travel policies to existing University and NCAA-related policies. We obtained the general ledger detail and compared to the total expenses reported. We recalculated the totals.

We found no exceptions as a result of these procedures.

4. We obtained a listing of debt service schedules, lease payments, and rental fees for athletics facilities and compared a sample of five facility payments, including the top two highest facility payments, to supporting documentation. We compared amounts recorded to the general ledger detail. We recalculated the totals.

We found no exceptions as a result of these procedures.

5. We obtained general ledger detail for direct overhead and administrative expenses and compared the detail to the total expenses reported. We selected two transactions and obtained supporting documentation to validate the existence of the transactions and the accuracy of their recording. We recalculated the totals.

We found no exceptions as a result of these procedures.

MINIMUM AGREED-UPON PROCEDURES FOR OTHER REPORTING ITEMS

1. We agreed the total outstanding University debt to supporting documentation and the University's general ledger.

We found no exceptions as a result of these procedures.

2. We inquired about athletics dedicated endowments maintained by athletics, the University, and affiliated organizations and were informed by management that the University had no athletics dedicated endowments as defined by NCAA guidelines.

3. We agreed the total fair market value of University endowments to supporting documentation and the University's general ledger.

We found no exceptions as a result of these procedures.

4. We obtained a schedule of athletics related capital expenditures made by athletics, the University, and affiliated organizations during the reporting period. We obtained and compared general ledger detail to the total expenses reported. We selected one transaction and obtained supporting documentation to validate its existence and the accuracy of its recording. We recalculated the totals.

We found no exceptions as a result of these procedures.

MINIMUM AGREED-UPON PROCEDURES FOR NOTES AND DISCLOSURES

1. We obtained from University management a list of contributions of monies, goods, or services received directly by an intercollegiate athletics program from any affiliated or outside organization, agency, or individuals (e.g., contributions by corporate sponsors) that constitutes 10% or more of all contributions received for intercollegiate athletics during the reporting period, and ensured the source(s) of the funds, goods, and services as well as the value associated with these items, were properly disclosed in the notes to the Statement.

We noted the Nicholls State University Foundation, Inc., is the only outside organization that provided individual contributions of monies, goods, or services to the athletic department that exceeded 10% of the total contributions (see note 1 to the Statement).

2. We obtained a description of the University's policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics-related assets. We ensured that the University's policies and procedures are properly disclosed within the notes to the Statement.

We found no exceptions as a result of these procedures (see note 2 to the Statement).

3. We were to obtain from University management the repayment schedules for all outstanding intercollegiate athletics debt maintained by the University during the reporting period. If such debt exists, we were to recalculate the annual maturities, agree annual maturities to supporting documentation and to the University's general ledger, and ensure the repayment schedule is properly disclosed within the notes to the Statement.

We found no exceptions as a result of these procedures (see note 3 to the Statement).

MINIMUM AGREED-UPON PROCEDURES FOR AFFILIATED AND OUTSIDE ORGANIZATIONS

1. We obtained from management a listing of all affiliated and outside organizations for the reporting period. We obtained written representations from management that the Nicholls State University Foundation, Inc., is the only outside organization created for or on behalf of the athletic department.
2. We obtained from management of the University statements for all affiliated and outside organizations and agreed the amounts reported in the statements to the University's general ledger or, alternatively, confirmed revenues and expenses directly with a responsible official of the organization.

We found no exceptions as a result of these procedures.

3. We obtained from University management a summary schedule of revenues and expenses for or on behalf of intercollegiate athletics programs by affiliated and outside organizations not under the accounting control of the University to be included with the agreed-upon procedures report as follows:

	Nicholls State University Foundation, Inc.
REVENUES	
Contributions	\$660,610
Program, Novelty, Parking, and Concession Sales	14,579
Royalties, Licensing, Advertisements, and Sponsorships	47,024
Sports Camp Revenue	6,826
Other Operating Revenue	15,606
Total revenues	<u>744,645</u>
EXPENSES	
Athletic Student Aid	855
Coaching salaries, benefits, and bonuses paid by the University and related entities	12,798
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	4,200
Recruiting	44,855
Team travel	28,333
Sports equipment, uniforms, and supplies	96,170
Game expenses	34,769
Fundraising, marketing, and promotion	91,931
Sports Camp Expenses	2,211
Spirit Groups	3,612
Athletic facilities debt service, leases, and rental fee	386,802
Direct overhead and administrative expenses	49,238
Medical expenses and medical insurance	320
Memberships and dues	1,425
Student athlete meals (non-travel)	13,271
Other expenses	25,542
Bowl Expenses	3,489
Total expenses	<u>799,821</u>
(DEFICIENCY) OF REVENUES OVER EXPENSES	<u><u>(\$55,176)</u></u>

We obtained written representations as to the fair presentation of the summary schedule.

We found no exceptions as a result of these procedures.

- For all outside organizations that had an independent audit, we obtained the independent auditor's report to identify any significant deficiencies relating to the outside organization's internal controls. We were to make inquiries of management to document any corrective action taken in response to the significant deficiencies.

The Nicholls State University Foundation, Inc., statements were audited by an independent certified public accountant for the year ended June 30, 2017, and June 30, 2016. The audit report dated August 10, 2018, included a material weakness in the Foundation's internal control related to the lack of timely reconciliation of account balances. The foundation has engaged the services of an external accounting firm to assist with recording transactions and maintaining the general ledger for future periods.

The financial statements of the Nicholls State University Foundation, Inc., for the year ended June 30, 2018, are being audited by an independent certified public accounting firm. The audit report has not been issued as of January 14, 2019.

ADDITIONAL AGREED UPON PROCEDURES

1. In order for the NCAA to place reliance on the Division I financial reporting for NCAA distribution purposes, the following procedures were performed:
 - (a) We compared and agreed the sports sponsored and reported in the NCAA Membership Financial Reporting System to the University's Calculation of Revenue Distribution Equivalencies Report (CRDE).
 - (b) We obtained the University's Sports Sponsorship and Demographics Form Report for the reporting year. We validated that the countable sports reported by the University met the minimum requirements set forth in Bylaw 20.9.6.3 for the number of contests and the number of participants in each contest that are counted toward meeting the minimum contest requirement. We also ensured that the University properly reported these sports as countable for revenue distribution purposes within the NCAA Membership Financial Reporting System.
 - (c) We agreed the total number of Division I student athletes who, during the academic year, received a Pell Grant award (e.g., Pell Grant recipients on Full Grant-in-Aid, Pell Grant recipients on Partial Grants-in-Aid and Pell Grant recipients with no Grants-in-Aid) and the total value of these Pell Grants reported in the NCAA Membership Financial Reporting System to a report, generated out of the University's financial aid records, of all student-athlete Pell Grants.

We found no exceptions as a result of these procedures.

We were not engaged to, and did not, conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the compliance of the accompanying Statement and related notes of the University's Athletic Department, or on its compliance with NCAA Bylaw 3.2.4.15, or on the effectiveness of the University Athletic Department's internal control over financial reporting for the year ended June 30, 2018. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the president of the University and is not intended to be, and should not be, used by anyone other than this specified party. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Daryl G. Purpera".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

MET:NM:RR:EFS:ch

NICHOLLS NCAA 2018

UNAUDITED

Statement A

**ATHLETIC DEPARTMENT
NICHOLLS STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**Statement of Revenues and Expenses
For the Year Ended June 30, 2018**

	<u>FOOTBALL</u>	<u>MEN'S BASKETBALL</u>	<u>WOMEN'S BASKETBALL</u>	<u>OTHER SPORTS</u>	<u>NON- PROGRAM SPECIFIC</u>	<u>TOTAL</u>
REVENUES						
Operating revenues:						
Ticket sales	\$180,711	\$19,955	\$20,285	\$33,870		\$254,821
Student fees	801,717	183,908	321,540	1,246,523	\$187,887	2,741,575
Direct institutional support	785,632	180,218	315,088	1,221,512	4,930	2,507,380
Indirect institutional support					153,211	153,211
Guarantees	550,000	365,000	55,000	31,500		1,001,500
Contributions	59,414	38,243	5,015	188,703	502,129	793,504
In-kind	4,803	7,834	2,442	49,047	175,468	239,594
NCAA distributions				20,015	1,037,130	1,057,145
Program, novelty, parking, and concessions sales	30,477	2,797	2,699	6,713	12,596	55,282
Royalties, licensing, advertisements, and sponsorships				5,000	533,542	538,542
Sports camp revenues		1,207	6,496		330	8,033
Other operating revenue		50,000	42,120	223	43,809	136,152
Bowl revenues	130,529					130,529
Total operating revenues	<u>2,543,283</u>	<u>849,162</u>	<u>770,685</u>	<u>2,803,106</u>	<u>2,651,032</u>	<u>9,617,268</u>
EXPENSES						
Operating expenses:						
Athletics student aid	1,159,947	221,008	241,381	1,171,969	43,034	2,837,339
Guarantees		14,000	5,500	57,355		76,855
Coaching salaries, benefits, and bonuses paid by the University and related entities	831,817	286,940	288,608	698,542		2,105,907
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities					957,675	957,675
Severance payments	5,678	13,881		7,728	444	27,731
Recruiting	29,240	25,421	14,488	35,764		104,913
Team travel	148,461	176,558	122,393	401,209		848,621
Sports equipment, uniforms, and supplies	108,793	26,673	22,246	176,375		334,087
Game expenses	60,385	43,200	28,275	72,801	48,371	253,032
Fundraising, marketing, and promotion	2,615	3,792	292	9,531	88,317	104,547
Sports camp expenses	131		2,080			2,211
Spirit groups					65,710	65,710
Athletic facilities debt service, leases, and rental fees					386,802	386,802
Direct overhead and administrative expenses	14,424	9,940	9,968	22,189	464,013	520,534
Indirect institutional support					153,211	153,211
Medical expenses and insurance					136,356	136,356
Memberships and dues	343			3,839	44,566	48,748
Student-athlete meals (non-travel)	8,334	8,096	3,858	6,130	36,458	62,876
Other operating expenses	3,026	2,052	825	20,160	35,312	61,375
Bowl expenses	93,587					93,587
Total operating expenses	<u>2,466,781</u>	<u>831,561</u>	<u>739,914</u>	<u>2,683,592</u>	<u>2,460,269</u>	<u>9,182,117</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$76,502</u>	<u>\$17,601</u>	<u>\$30,771</u>	<u>\$119,514</u>	<u>\$190,763</u>	<u>\$435,151</u>

NOTES TO THE FINANCIAL STATEMENT

(UNAUDITED)

1. CONTRIBUTIONS

Individual contributions to the Athletic Department from the Nicholls State University Foundation, Inc., totaling \$200,000, exceeded 10% of the total contributions included in Statement A.

2. CAPITAL ASSETS

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the University's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if they exceed \$100,000. Any infrastructure exceeding \$3 million must be capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and infrastructure, 20 years for depreciable land improvements, 3 to 10 years for most movable property, 3 years for software with an acquisition cost of \$1,000,000 or more, and 3 to 10 years for internally-generated software with development costs of \$1,000,000 or more.

3. DEBT NOTE

The University did not maintain any debt related to intercollegiate athletics during the reporting period. An affiliated organization, the Nicholls State University Foundation, Inc., has a loan agreement with a local financial institution for capital improvements/projects to various Nicholls athletic facilities.

The following is a detailed summary of the payable for the year ended June 30, 2018.

Issuer	Date of Issue	Original Issue	Outstanding July 1, 2017	Issued (Redeemed)	Outstanding June 30, 2018	Maturities	Interest Rate	Future Interest Payments June 30, 2018
United Community Bank	5/1/2018	\$1,299,518		\$1,299,518	\$1,299,518	2023	5.75%	\$295,274

The following is an amortization schedule for the outstanding liability:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$113,313	\$73,346	\$186,659
2020	119,890	66,769	186,659
2021	127,209	59,450	186,659
2022	134,788	51,870	186,658
2023	804,318	43,839	848,157
Total	<u>\$1,299,518</u>	<u>\$295,274</u>	<u>\$1,594,792</u>

MAJOR REVENUE AND EXPENSE ANALYSIS

(UNAUDITED)

Appendix A

Appendix A includes an analysis of revenue and expense accounts that exceed 10% of total revenues and expenses. A comparison is presented of current-year amounts to prior-year amounts and of current-year amounts to budget estimates.

**ATHLETIC DEPARTMENT
NICHOLLS STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**Major Revenue and Expense Analysis
For the Year Ended June 30, 2018**

Accounts Exceeding 10% Threshold and Variance Greater Than 10%	Fiscal Year 2018	Fiscal Year 2017	Increase/ (Decrease)	Percent Variance	
Operating Revenues per Statement A					
Guarantees	\$1,001,500	\$1,296,000	(\$294,500)	(23%)	1
NCAA distributions	\$1,057,145	\$522,010	\$535,135	103%	2
Operating Expenses per Statement A					
Support staff/administrative salaries, benefits, and bonuses paid by the University and related entities	\$957,675	\$855,089	\$102,586	12%	3

Budget

No variations met the 10% variance threshold in the NCAA guidelines, and no explanations are required.

NOTES:

1. The decrease in guarantees is due to the decrease in the number of guarantees for football. In fiscal year 2018 there was only one guaranteed contest as compared to two guaranteed contests in fiscal year 2017.
2. NCAA distributions increased in fiscal year 2018 as a result of a one-time distribution of \$486,438 received during the reporting period.
3. Support staff/administrative salaries and related expenses increased primarily as a result of a 2% merit increase, a \$10,000 increase in Athletic Director position salary, and a new marketing coordinator position earning approximately \$23,000.